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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 001231

SIPDIS

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TAGS: [PGOV](#) [NP](#)

SUBJECT: NEPAL: FOUR PARTIES AGREE ON BASIC PRINCIPLES FOR
COALITION GOVERNMENT

REF: KATHMANDU 1024

Classified By: CDA JANET BOGUE. REASON: 1.5 (B,D).

1. (SBU) Summary: On June 30 three political parties joined Prime Minister Sher Bahadur Deuba's Nepali Congress (Democratic) in endorsing a statement of objectives for Deuba's government. The parties' hard-won agreement on the 43-point program opens the door for the formation of a coalition government. The press optimistically reported that the composition of the Cabinet may be announced as early as July 1. The alliance offers the possibility of the broadest-based government since King Gyanendra dismissed the last democratically elected government in May 2002. Former Prime Minister G.P. Koirala's Nepali Congress, meanwhile, largely due to the obduracy of its leader, remains out of the coalition, out of the Cabinet, and out in the cold. End summary.

2. (U) After nearly a month of intensive wrangling, on June 30 the Communist Party of Nepal - United Marxist Leninist (UML), the National Democratic Party (also known as RPP, its Nepali acronym), and the Nepal Sadbhavana Party (Mandal faction) joined Prime Minister Sher Bahadur Deuba's Nepali Congress (Democratic) in endorsing a statement of common objectives for Deuba's government. The agreement on the 43-point common minimum program (CMP) opens the door for the formation of a four-party coalition government. According to press reports, portfolio assignments to the new Cabinet may be announced as early as July 1. (Comment: We expect it may take somewhat longer. End comment.) In addition to the premiership, the Nepali Congress (Democratic), according to popular speculation, is expected to retain five Cabinet slots, while the UML, RPP and Sadbhavana may pick up five, three and one respectively. In addition, two ministerial posts may be awarded to non-party technocrats chosen by the Palace. Both Deuba and UML General Secretary Madhav Kumar Nepal reportedly agreed to reserve four ministries for former Prime Minister G.P. Koirala's Nepali Congress, in the event the octagenarian leader--the last hold-out among the major mainstream political party leaders--later decides to join the government. According to press and party sources, the Nepali Congress (Democratic) and the UML continue to disagree on allocation of the powerful ministries of Finance and Home, with the UML aggressively laying claim to these key posts, and Deuba's party just as energetically resisting.

3. (U) The common program, while predictably featuring commitments to strengthen democracy, "safeguard the achievements of the 1990 People's Movement," hold elections and resolve the Maoist insurgency through a "progressive political consensus" attained from negotiations, also contains a surprising number of objectives aimed at improving Nepal's socio-economic development. For example, the CMP pledges to "increase gradually" the number of female candidates in Parliament and in locally elected bodies, and undertakes to transform, through "constitutional methods," the National Assembly (the Upper House of Parliament) into a body more representative of women, the lower castes, and ethnic minorities. Other noteworthy (if not fully fleshed-out) objectives include special assistance programs for the least developed, Maoist-affected regions of the country; land reform; special employment opportunities for lower castes, women and ethnic minorities; improved rural community health programs; the establishment of a social security program; and property rights for women.

4. (C) In a June 29 conversation with the DCM, RPP Chairman Pashupati SJB Rana says he thinks Deuba already has accepted his proposal for a Peace Secretariat to help the government pursue negotiations with the Maoists more systematically and knowledgeably. Rana also said that his contacts with the Maoists indicate that they may be willing to enter negotiations with the Government without initiating a formal cease-fire, which is still unpopular with the Royal Nepal Army because the Maoists exploited the last one to their advantage. Like some other commentators, Rana believes that the next round of negotiations should be unpublicized and preferably take place outside Nepal to prevent the kind of

high-profile ultimatata that the Maoists used previously to leverage concessions out of Government negotiators. Rana says he believes that India would oppose active mediation by any outside government or organization like the UN. Where an outside party may be helpful and acceptable, he suggested, would be in providing a foreign venue for peace talks and security to both sides.

15. (C) Comment: Given the bitterness and contention more typical of the domestic political culture, the all-too-rare phenomenon of four parliamentary parties agreeing on anything--much less a 43-point program to underpin a coalition government--is heartening. In the absence of elections, Deuba's continuing efforts to bring the RPP, the Sadbhavana, and most important, the UML, into his Cabinet seem to offer the best prospects yet for a broader-based, more representative government since King Gyanendra dissolved the last democratically elected government and appropriated executive authority in May 2002. Substantial hurdles remain, however, the most formidable being the thorny question of the allocation of key ministries like Home and Finance. Moreover, even the UML's support does not necessarily counterbalance the enmity and sustained antagonism that the Nepali Congress (Koirala) can be expected to level against Deuba. With three of the five largest parties now supporting Deuba's government, former Prime Minister G.P. Koirala's Nepali Congress is the only mainstream party without a seat at this multipartisan table--and thus a potentially destabilizing factor as the new government seeks to establish itself.

BOGUE